

Foundation Alert

Economy: June inflation eases to 29.4% YoY

Event

- Pakistan Bureau of Statistics released June 2023 National CPI which came in at -0.3/29.4% on MoM/YoY.

Impact

- National CPI came in at -0.3/29.4% on MoM/YoY in June 2023 as compared to 1.6/38.0% on MoM/YoY in June 2023.
- Urban CPI changed by 0.1/27.3% on MoM/YoY and Rural CPI changed by -0.8/32.4% on MoM/YoY during June 2023.
- Food and Non-Alcoholic Beverages (weight in CPI 34.6%) contributed most to inflation with impact of -0.4% MoM due to decrease in non-perishable food items with impact of -0.33% MoM while perishable food items declined with impact of -0.08% MoM. This was driven by decrease in prices of fresh vegetables, eggs, cooking oil and wheat flour.
- Whereas, Transport (weight in CPI 5.91%) contributed with impact of -0.16% MoM driven by decrease in fuel prices.
- Urban Core-Inflation (non-food, non-energy) clocked in at 0.7/18.5% on MoM/YoY basis. Whereas, Rural Core Inflation clocked in at 0.9/25.2% on MoM/YoY basis in Jun'23.
- Average NCPI during FY23 clocked in at 29.18% YoY vs 12.15% YoY in FY22.

Outlook

- Easing fuel and international commodity prices amid high base effect would push FY24 inflation downwards from FY23 highs. However, high food inflation and 2nd round effects of high FY23 inflation would keep inflation above LT average. Thus, our forecast of FY24 inflation is ~21% YoY.

Fig 1: Jun 2023 - National CPI

Group	Weight	% MoM	% YoY	Impact % MoM	Impact % YoY
General	100.0%	-0.26	29.40	-0.26	29.40
Food & Non-alcoholic Bev	34.58%	-1.01	39.49	-0.41	14.59
Non-perishable Food items	29.60%	-0.93	41.79	-0.33	13.34
Perishable Food items	4.99%	-1.60	24.82	-0.08	1.25
Alcoholic Bev. & Tobacco	1.02%	0.10	109.53	0.00	1.09
Clothing & Footwear	8.60%	1.09	20.96	0.08	1.74
Housing, Water, Electricity, Gas & Fuels	23.63%	-0.23	11.64	-0.04	2.49
Furnishing & Household Equip. Maint	4.10%	1.58	41.65	0.07	1.64
Health	2.79%	1.07	19.13	0.03	0.52
Transport	5.91%	-2.15	20.30	-0.16	1.58
Communication	2.21%	0.05	6.81	0.00	0.09
Recreation & Culture	1.59%	0.69	67.97	0.01	0.90
Education	3.79%	0.37	8.56	0.01	0.29
Restaurant & Hotels	6.92%	1.36	36.37	0.10	2.50
Miscellaneous	4.87%	1.01	40.12	0.05	1.98

Source: PBS, Foundation Research, July 2023

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Recommendations definitions

Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.